 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY ANSWER SHEET**

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| **SUBJECT** | **BUSINESS STUDIES** | **GRADE** | **12** | **DATE** | **20/04/2020** |
| **TOPIC** | **BUSINESS VENTURES MARKS: 30** | **TERM 1**  **REVISION** |  | **TERM 2 CONTENT** | **X** |

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|  | **QUESTION 1: BUSINESS VENTURES** |  |
| 1.1 | **Define the term insurance and give TWO examples of insurable risks.** |  |
|  | **Insurance**   * Insurance refers to cover for a possible event√ that may cause a specified loss/ damage. √ * An agreement whereby the insurer undertakes to indemnify√ the insured in the event of a specified loss/damage. √ * The insured has to pay a premium√ for specified losses/damages covered. √ * A contract between a person/business/insured requiring insurance cover√ and the insurance company/insurer bearing the financial risk. √   Any other relevant answer related to the definition of insurance. Sub max (2)  **Examples of insurable risks**   * Fidelity insurance√ * Money in transit√ * Theft√ - Burglary√ * Fire√ * Damage to/Loss of buildings/premises/equipment/vehicles/assets√ * Natural disasters√ * Injuries on premises√ * Life√   Any other relevant examples of insurable risks.  **NOTE: Mark the first TWO (2) only**. (2 x 1) (2)  Sub max (2) Max (4) | (4) |
| 1.2 | **Factors to consider when making investment decisions.** |  |
|  | * Return on investment (ROI)√ * Risk√ - Investment term/period√ * Tax implications/Taxation√ * Inflation rate√ * Fluctuations/Volatility of investment markets√ * Liquidity√ * Personal budget√ * Track record/History/Performance of the business√   Any other relevant answer related to factors that must be considered when making investment decisions. **NOTE: Mark the first FOUR (4) only**. (4 x 1) (4) | (4) |
| 1.3 | **Advantages of ordinary shares** |  |
|  | * Holding a higher number of shares may result in higher proportional dividends. √√ * Shares of listed companies can be freely transferred/traded on the JSE. √√ * Shareholders' liability for company debts is limited to the amount invested in shares/Shareholders have limited liability for the debts of the company. √√ * Shareholders have voting rights at the annual general meeting (AGM). √√ * Rate of return on investment (ROI) is linked to the performance of the company. √√ * Ordinary shares are usually cheaper than preference shares on the open market. √√ * Ordinary shareholders can track the value of their investment through published information/different media. √√   Any other relevant answer related to the advantages of ordinary shares.  **NOTE: Mark the first THREE (3) only**. Max (6) | (6) |
| 1.4 | **Investments** |  |
|  | **1.4.1 Simple interest (Andries)**  **FORMULA:** Interest = P x R x T √  **Option 1**  R3 000√ x 10% x 2 years√ = R600√  **OR**  **Option 2**  R3 000√ x 10% x 6/12 √ = R150  R150 x 4 = R600√  OR  **Option 3** R3 000√ x 10% x 6/12 x 4√ = R600√ Max (3)  **NOTE: 1. Allocate full marks (3) if the answer is correct and no workings are shown.**  **2. If workings were shown correctly, but the final answer is wrong, award a maximum of TWO**  **marks.**  **3. If the answer is incorrect, award a maximum of ONE mark for the understanding of concept and**  **method.**  **4. If there are no workings shown and the answer is incorrect, allocate a ZERO mark.** | (3) |
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|  | 1.4.2 **Compound interest (Tshidi)** |  |
|  | **Option 1**  Year 1: R3 000√ x 10% = R300 √  Year 2: R3 300√ x 10% = R330√  Total interest = R630 √  **OR**  **Option 2**  FORMULA: P x (1 + r)n√  R3 000√ x (1+10/100)2 √  R3 000 x (1.1)2 =R3 630√  Total interest = R3 630 – R3 000  = R630√ **Max (4)**    **NOTE: 1. Allocate full marks (4) if the answer is correct and no workings are shown.**  **2. If workings were shown correctly, but the final answer is wrong, award a maximum of THREE**  **marks.**  **3. If the answer is incorrect, award a maximum of ONE mark for the understanding of concept**  **and method.**  **4. If there are no workings shown and the answer is incorrect, allocate a ZERO mark.** | (4) |
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|  | **1.4.3 Better investment option**  Tshidi's investment option/flexi-deposit account/An investment on compounded/ compound interest is better. √  **Motivation**  Tshidi receives more interest/R30 more interest/has a higher return on her investment over 2 years/earns interest on interest accrued. √√  Identification (1)  Motivation (2)  Max (3) | (3) |
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|  | 1.4.4 **Rights of preference share holders** |  |
|  | * Receive dividends√ regardless of how much profits are made √ * Receive a fixed rate√ of return / dividend √ * They are paid first√ and they enjoy preferential rights to dividends. √ * They have a preferred claim on company assets√ in the event of bankruptcy / liquidation of the company√ * Receive interim and annual√ reports √ * They only have voting rights at the AGM√ under particular circumstances / for certain resolutions. √ * Cumulative shareholders must receive outstanding / accrued dividends√ from previous years. √ * Participating preference shareholders have the right to share√ in surplus profits. √   Any other relevant answer related to the rights of preference shareholders (Any 3 x2) Max(6) | (6) |